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General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-271383

April 8, 1996

The Honorable Richard G. Lugar  
Chairman  
The Honorable Patrick J. Leahy  
Ranking Minority Member  
Committee on Agriculture,  
Nutrition, and Forestry  
United States Senate

The Honorable Pat Roberts  
Chairman  
The Honorable E (Kika) de la Garza  
Ranking Minority Member  
Committee on Agriculture  
House of Representatives

The U.S. Department of Agriculture (USDA), through its network of Farm Service Agency county offices, administers various commodity and related land-use programs that provide payments to agricultural producers. During calendar years 1985-95, USDA paid out about \$115.7 billion through these programs.<sup>1</sup>

Each county office has a committee of three to five members who are elected by local producers to oversee office operations and administer the national programs on a local level. A county executive director, hired by the county committee, is responsible for the day-to-day office operations. The executive director hires other office employees. The

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<sup>1</sup>The Federal Agriculture Improvement and Reform (FAIR) Act of 1996, which was enacted on April 4, 1996, significantly changes the nature of many of USDA's payment programs. This letter discusses the programs as they existed before the FAIR Act's enactment.

county committee members and employees (including the executive director) can, and often do, participate in and receive payments from many of the USDA programs administered through the county office. These payments may include deficiency payments, disaster assistance payments, marketing loan gains, loan deficiency payments, Agricultural Conservation Program payments, and Conservation Reserve Program (CRP) payments. The payments are made to producers, who could be individuals, general partnerships, joint ventures, corporations, trusts, estates, or other entities.

Because of recent concerns about having those who manage the programs also participate in and receive payments from these programs, we reviewed the level of payments made to county committee members and county office employees. Specifically, we (1) determined the magnitude of the program payments made to county committee members and employees, (2) compared the average program payments made to county committee members and employees with those made to other producers, and (3) identified the internal controls used at county offices to ensure that county committee members and employees comply with the programs' requirements.

In summary, we found the following:

- County committee members and employees received about \$1.1 billion in program payments, or about 1 percent of all USDA program payments, from 1985 through 1995.<sup>2</sup>
- County committee members generally received higher average payments than other producers. According to USDA officials, county committee members earned larger payments than other producers because they tend to be full-time farmers and to have larger farming operations than producers in general. County office employees generally received about the same payments, on average, as other producers.
- The program payments to and activities of county committee

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<sup>2</sup>We used the count of county committee members who were in office, and county office employees who were employed, as of December 1994. However, we recognize that some of these individuals may not have been committee members or employees during the entire period.

members and employees are subject to more rigorous compliance reviews than are those of other producers. USDA reviews the program payments to and activities of all county committee members and employees annually or as often as the payments are made. In contrast, USDA subjects other producers to randomly selected reviews of their payments and activities.

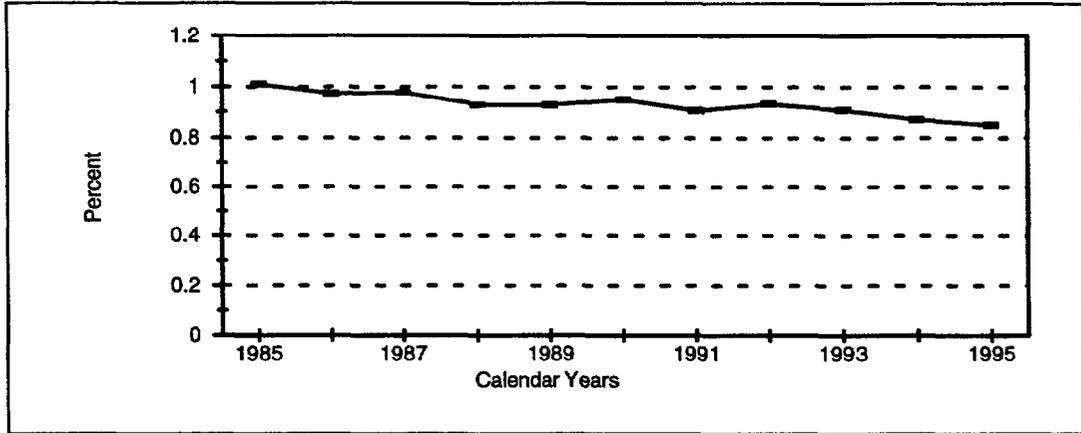
Our limited audit work does not allow us to express an opinion on the overall propriety and accuracy of the payments to county committee members and employees or on the overall adequacy of the internal controls over those payments. However, the work we performed did not identify any evidence of improper payments or fundamental weaknesses in the internal controls. USDA's Office of Inspector General plans to conduct, in 1997, a national review of the propriety and accuracy of the payments to county committee members and employees and the adequacy of the internal controls over payments.

#### MAGNITUDE OF PAYMENTS

During calendar years 1985-95, county committee members received about \$889.0 million in program payments and county office employees received about \$191.8 million. Combined, these payments represented about 1 percent of all USDA program payments over the period.

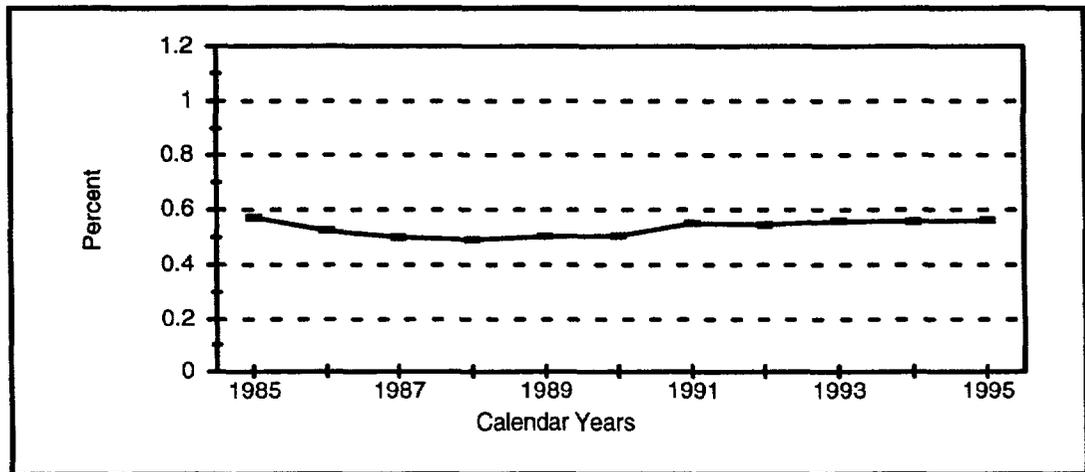
The payments to county committee members and employees, as a percentage of the total program payments, generally declined during the 1985-95 period, reaching a high of about 1.0 percent for calendar year 1985 and a low of about 0.85 percent for calendar year 1995. Figure 1 shows the change in the program payments to county committee members and employees over the period as a percentage of the total program payments.

Figure 1: Program Payments to County Committee Members and Employees as a Percentage of the Total Program Payments, Calendar Years 1985-95



During this period, county committee members and employees who received payments generally represented about one-half of 1 percent of all producers who received payments in each year. Figure 2 shows the percentage of all payees who were county committee members or employees for calendar years 1985-95.

Figure 2: Percentage of Payees Who Were County Committee Members or Employees, Calendar Years 1985-95



More detailed information is presented in enclosure I.

LEVEL OF PAYMENTS

During most of the 1985-95 period, county committee members received payments that were, on average, about twice as high as those received by either county office employees or other producers. (See enc. II.) Table 1 shows the range of average program payments to county committee members, employees, and other producers during this period.

Table 1: Range of Average Program Payments to County Committee Members, Employees, and Other Producers, Calendar Years 1985-95

Type of payee	Range of average program payments	
	High	Low
Committee member	\$21,728	\$9,245
Employee	12,658	5,541
Other producer	9,816	5,360

According to USDA officials, county committee members earned larger payments than other producers because they generally are full-time farmers and tend to have larger farming operations than other producers. Additionally, the officials noted that the county office employee and other producer categories included significant numbers of part-time farmers and smaller farming operations, whose smaller payments tend to lower the average payments.

COUNTY OFFICE INTERNAL CONTROLS

Our review found that USDA has internal controls in place to prevent county committee members and employees from abusing their positions. Annually or as often as payments are made, USDA reviews the program payments to and activities of all county committee members and employees. In contrast, USDA normally reviews the program payments to and activities of other producers on the basis of a random selection of farms in a county.

Designated county office employees conduct the compliance reviews. The county executive director then reviews their work, and a district director, who represents the Farm Service Agency's state office, reviews the work of both the designated employees and the county executive director. USDA

also has a County Operations Reviewer Program, under which all the activities of a county office (including the payments to county committee members and employees) are subject to review. The state office selects the counties to be reviewed under the County Operations Reviewer Program.

USDA conducts different types of compliance reviews for different agricultural programs. For the basic wheat, feed grain, upland cotton, and rice programs, which provide benefits such as deficiency payments and price support loans, USDA requires producers to comply with planting and acreage set-aside requirements in order to receive program benefits. The compliance review includes determining which acres were (1) planted with program crops to ensure that the payments were based on the proper number of acres planted, (2) planted with nonprogram crops, and (3) set aside for conservation purposes. County office employees conduct compliance reviews for all farms in which county committee members and employees (including their spouses and children) have an interest. If the review finds that a county committee member or employee inaccurately reported the use of farm acres, the review is forwarded to the state office. The state office then determines whether the county committee member or employee made a good faith effort to comply with the program's provisions. For all other producers, USDA reviews 15 percent of all farms in a county (although the percentage may be smaller if the county has a good compliance record). Our review showed that USDA had completed compliance reviews for crop year 1993 for the committee members and employees at the three county offices we visited.

For CRP, USDA conducts another type of compliance review that includes an on-site examination of the acres that have been set aside to achieve the program's objectives. These objectives include planting native grasses and trees, preserving wildlife habitat, and preventing the growth of noxious weeds. According to USDA's guidance, all CRP farms held by county committee members and employees must be examined annually, while only 15 percent of the farms held by other producers are subject to annual reviews. According to our review of the records at one county where a county committee member and county office employees had CRP farms, USDA had reviewed these producers' compliance with the program's requirements for crop year 1995. Furthermore, in December 1995, we visited the farms of one county committee member and one county office employee and found that the required land-cover was being maintained.

For other programs, such as the disaster assistance program and the Agricultural Conservation Program, USDA also requires compliance reviews

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for 100 percent of the county committee members and employees. In contrast, other producers are randomly selected for review (5 percent for the disaster program and 5 percent for the Agricultural Conservation Program). We did not verify that compliance reviews for these other programs had taken place. However, in one county office, we found that the county committee had disapproved some of the disaster assistance applications submitted by one of its members.

The officials in each of the offices we visited noted the importance of separating duties and the impropriety of committee members' and employees' approving and/or signing their own program applications, contracts, payment checks, or other required documentation. The officials said they try to avoid such conflicts of interest but also recognized that, in some instances, committee members and employees may inadvertently or purposely take actions from which they may benefit. For example, in offices with a high volume of activity or a small number of employees, conflicts may be difficult to avoid. The staff in one office we visited consisted only of the executive director and one employee. According to a state office representative, these types of situations would not go unnoticed. The district directors' compliance reviews and the County Operations Reviewer Program would look at such situations.

In 1997, USDA's Office of Inspector General plans to conduct a national review of the propriety and accuracy of the payments to county committee members and employees and the adequacy of the internal controls over these payments.

#### AGENCY COMMENTS

We provided copies of a draft of this report to the Administrator, Farm Service Agency, and other USDA officials in headquarters for their review and comment. These officials agreed with the facts as presented in the report.

#### OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted our review as part of GAO's basic legislative authority to audit the expenditures of federal funds. We analyzed information on USDA's payments to agricultural producers for calendar years 1985-95.

We analyzed recent and historical data in USDA's automated databases in Kansas City, Missouri. We did not verify the accuracy of the information,

but we did trace information to records at three Farm Service Agency county offices. We found no differences in the source documents and the information reported in the computer system.

We visited three Farm Service Agency county offices (Clay County, Kansas; Cherokee County, Oklahoma; and New Madrid County, Missouri) and the Kansas State Farm Service Agency Office to identify internal controls over payments to county committee members and employees. Because our work was limited in scope, it does not allow us to express an opinion on the overall adequacy of USDA's internal controls over these payments.

USDA does not maintain extensive historical data for county committee members and county office employees (for our analyses, we combined information for county executive directors and other county office employees). The overall number of county office employees has decreased by about 2,000 employees over the last 2 years, from 17,376 in December 1993 to 15,231 in December 1995. We used the count of county committee members who were in office, and county office employees who were employed, as of December 1994. These figures represented the numbers at the beginning of calendar year 1995, the most recent year for which payment information was available. We identified 9,140 county committee members and 15,728 county office employees.

We determined the payments made to these individuals from January 1985 through December 1995. However, we recognize that some of the individuals may not have been county committee members or employees during that entire period. Furthermore, because county committee members and employees are individuals, we identified only the payments they received as individuals.<sup>3</sup>

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<sup>3</sup>We did not identify the payments these individuals may have received through general partnerships, joint ventures, corporations, or other entities. However, our analysis of the data that we developed for our Aug. 28, 1995, report to the Senate and House Agriculture Committees (GAO/RCED-95-264R) indicates that about 30 percent of the deficiency payments for crop year 1993 were made through general partnerships, joint ventures, corporations, and other entities.

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We conducted our review from November 1995 through March 1996 in accordance with generally accepted government auditing standards.

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We are addressing this report to you because of your legislative responsibilities for USDA's farm programs. We are also sending copies of this report to the Secretary of Agriculture, and we will make copies available to others upon request.

Please call me at (202) 512-5138 if you or your staff have any questions about this information or would like any additional analyses of the data. Major contributors to this report included Ronald Maxon, Robert Seely, Jerry Hall, Renee McGhee-Lenart, John Schaefer, and Carol Herrnstadt Shulman.



Robert A. Robinson  
Director, Food and  
Agriculture Issues

Enclosures - 2

**USDA'S PROGRAM PAYMENTS MADE THROUGH COUNTY OFFICES  
TO COUNTY COMMITTEE MEMBERS, OFFICE EMPLOYEES, AND ALL PAYEES,  
CALENDAR YEARS 1985-95**

Dollars in millions

Year	County committee members		County office employees		All payees	
	Members receiving payments	Payments	Employees receiving payments	Payments	Total number of payees	Payments
1985	5,063	\$64.7	1,875	\$12.2	1,216,141	\$7,609.7
1986	5,493	95.1	2,032	19.7	1,432,221	11,797.2
1987	5,853	127.2	2,188	27.7	1,608,260	15,862.5
1988	5,976	109.4	2,299	24.2	1,678,802	14,395.6
1989	6,050	83.8	2,332	16.7	1,665,671	10,830.4
1990	5,780	71.8	2,324	15.1	1,599,568	9,148.8
1991	5,448	61.4	2,284	13.9	1,406,508	8,305.7
1992	5,709	71.5	2,354	14.1	1,479,440	9,181.7
1993	5,534	100.0	2,372	22.2	1,418,471	13,448.5
1994	5,438	55.5	2,362	13.1	1,401,682	7,863.2
1995	5,263	48.7	2,310	13.0	1,347,657	7,244.4
1985-95	7,747	\$889.0	3,544	\$191.8	3,122,509	\$115,687.7

Notes: Program payments include deficiency payments, disaster assistance payments, marketing loan gains, loan deficiency payments, Agricultural Conservation Program payments, Conservation Reserve Program payments, and other payments.

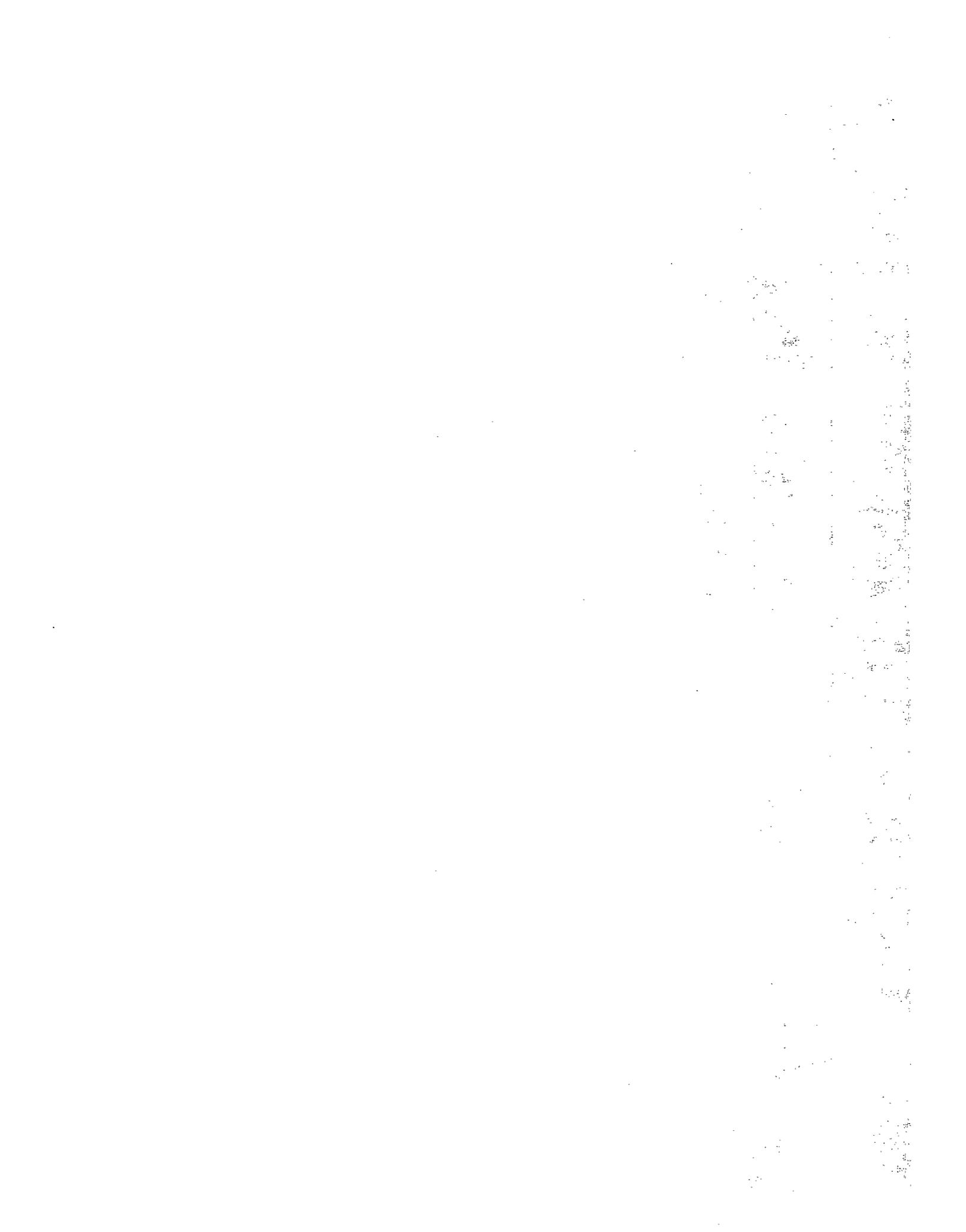
Payments for each calendar year represent payments to each payee. The same payee could have received payments in multiple years and would have been counted in each year.

For county committee members, county office employees, and all payees, the 1985-95 figures are unique totals. Payees were counted only once, regardless of the number of years in which they may have received payments.

AVERAGE PROGRAM PAYMENTS MADE TO COUNTY  
COMMITTEE MEMBERS, EMPLOYEES, AND OTHER PRODUCERS,  
CALENDAR YEARS 1985-95

Calendar year	County committee members			County office employees			All other producers		
	Number who received payments	Total payments	Average payment	Number who received payments	Total payments	Average payment	Number who received payments	Total payments	Average payment
1985	5,063	\$64,700,913	\$12,779	1,875	\$12,203,576	\$6,509	1,209,203	\$7,532,810,976	\$6,230
1986	5,493	95,127,695	17,318	2,032	19,699,665	9,695	1,424,696	11,682,357,321	8,200
1987	5,853	127,171,496	21,728	2,188	27,695,143	12,658	1,600,219	15,707,652,787	9,816
1988	5,976	109,430,863	18,312	2,299	24,234,990	10,542	1,670,527	14,261,884,457	8,537
1989	6,050	83,756,853	13,844	2,332	16,669,223	7,148	1,657,289	10,730,023,553	6,474
1990	5,780	71,834,759	12,428	2,324	15,062,618	6,481	1,591,464	9,061,942,275	5,694
1991	5,448	61,389,004	11,268	2,284	13,879,236	6,077	1,398,776	8,230,455,424	5,884
1992	5,709	71,483,958	12,521	2,354	14,070,648	5,977	1,471,377	9,096,172,955	6,182
1993	5,534	100,034,126	18,076	2,372	22,196,957	9,358	1,410,565	13,326,232,256	9,447
1994	5,438	55,456,956	10,198	2,362	13,088,278	5,541	1,393,882	7,794,620,105	5,592
1995	5,263	48,656,408	9,245	2,310	13,043,057	5,646	1,340,105	7,182,675,920	5,360
1985-95		\$889,043,029			\$191,843,391			\$114,606,828,029	

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